

Message Text

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PAGE 01 TANANA 01507 301332Z

53

ACTION EB-11

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FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC 6605

C O N F I D E N T I A L TANANARIVE 1507

E.O. 11652: GDS

TAGS: EINV, ENRG, MA

SUBJECT: MALAGASY GOVERNMENT MOVES AGAINST LOCAL OIL MARKETING
COMPANIES

REF: A. TANANARIVE 1459; B. EMBASSY'S A-135 OF 9/17/74

SUMMARY: LOCAL MANAGERS OF ESSO, CALTEX, AND SHELL HAVE BEEN PREVENTED FROM LEAVING MADAGASCAR PENDING RESOLUTION OF GOMR INVESTIGATION AND CHARGES RELATING TO PAST FOREIGN EXCHANGE REPATRIATION PRACTICES OF COMPANIES. ESSO AND CALTEX MANAGERS, ACTING SEPARATELY, ARE TRYING TO NEGOTIATE CLARIFICATION AND SETTLEMENT WITH GOMR AND AVOID CONFRONTATION. USG ASSISTANCE SO FAR NOT REQUESTED, BUT REPRESENTATIVES OF ESSO OR CALTEX MAY CALL ON DEPARTMENT CONCERNING PROBLEM, AND EMBASSY CONSIDERING LOW-KEY INFORMAL APPROACH TO MALAGASY MINISTER OF FINANCE IF POSSIBLE AFTER FURTHER CONSULTATION WITH MANAGERS. END SUMMARY.

1. PIERRE GAUTRET, FRENCH NATIONAL WHO IS MANAGER OF ESSO MADAGASCAR, CALLED ON EMBASSY SEPT 26 TO REPORT HE WAS SUMMONED BY MALAGASY JUDICIAL POLICE SEPT 25 AND ADVISED THAT HE WAS PROHIBITED FROM LEAVING MADAGASCAR PENDING RESOLUTION OF GOVERNMENT INVESTIGATION INTO POSSIBLE VIOLATIONS BY ESSO OF MALAGASY FOREIGN EXCHANGE LAWS.

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PAGE 02 TANANA 01507 301332Z

2. DEPARTMENT WILL RECALL THAT MALAGASY MINISTER OF ECONOMY

AND FINANCE ALBERT-MARIE RAMAROSON IN LETTER TO LOCAL MANAGER OF CALTEX EARLIER THIS MONTH CHARGED CALTEX WITH FIVE SEPARATE VIOLATIONS OF MALAGASY FOREIGN EXCHANGE REGULATIONS FOR FAILING TO REPATRIATE EARNINGS FROM EXPORT OF REFINED PETROLEUM PRODUCTS (REFS "A" AND "B"). MINISTER'S LETTER LEVIED FINE OF \$2 MILLION ON CALTEX AND CALTEX MANAGER, AS WELL AS LOCAL MANAGER OF SHELL, WERE BOTH PREVENTED FROM LEAVING MADAGASCAR UNTIL GOVERNMENT CHARGES AGAINST THEIR COMPANIES RESOLVED.

3. ACCORDING TO GAUTRET, HE EARLIER BELIEVED THAT GOMR WOULD HAVE NO GROUNDS TO PRESS CHARGES AGAINST ESSO, SINCE HIS FIRM CAREFULLY ADHERED TO MALAGASY FOREIGN EXCHANGE REGULATIONS. HOWEVER, HE WAS SUMMONED BY MALAGASY DIRECTOR GENERAL OF FINANCE LAST WEEK AND PRESENTED "NEW LIST" OF ALLEGED DISCREPANCIES AND UNANSWERED QUESTIONS RELATING TO ESSO'S REPATRIATION OF FOREIGN EXCHANGE FROM EXPORT SALE OF FUEL OIL. BACKGROUND OF ALLEGED "DISCREPANCIES" WAS COMPLICATED, GAUTRET EXPLAINED, OWING TO COMPLEX PAYMENTS PROCEDURES OF THE FIVE OIL COMPANIES MARKETING IN MADAGASCAR, WHO SHARE ALL IMPORT, REFINING, AND EXPORT FACILITIES. MOREOVER, ESSO'S LOCAL COMMERCIAL BANK AND/OR THE CENTRAL BANK, WHICH PROCESS ALL FOREIGN EXCHANGE TRANSACTIONS, SEEMED TO HAVE MISLAID OR DELAYED SOME OF ESSO'S PAPERS RELATING TO REPATRIATION OF FOREIGN EXCHANGE. HOWEVER, GAUTRET SAID HIS DISCUSSION WITH DIRECTOR GENERAL OF FINANCE LAST WEEK WAS FRIENDLY, WITHOUT ANY MENTION OF SPECIFIC CHARGES OF FINES AGAINST ESSO. THEREFORE HE SURPRISED AND PERPLEXED BY SUDDEN NOTICE HE CANNOT LEAVE COUNTRY.

4. GAUTRET ALSO REPORTED HE ADVISED BY DIRECTOR GENERAL OF FINANCE FOR FIRST TIME LAST WEEK THAT TIME LIMIT FOR REPATRIATION OF FOREIGN EXCHANGE EARNINGS IS 30 DAYS. HE SAID SOME OF ESSO'S REPATRIATIONS MAY NOT HAVE MET THIS TIME LIMIT OWING TO PAPERWORK DELAYS, BUT MAINTAINED ESSO'S RECORD OTHERWISE "CLEAN," AND FIRM WOULD ALWAYS HAVE COMPLIED WITH 30 DAY LIMIT IF EVER ADVISED.

5. GAUTRET SAID HE HAS TAKEN NO ACTION SINCE RECEIVING CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TANANA 01507 301332Z

NOTIFICATION OF BAN ON LEAVING COUNTRY OTHER THAN ADVISING ESSO HEAD OFFICE IN NEW YORK. LATTER HE SAID WILL PROBABLY BE CONCERNED AND MAY WELL CALL ON DEPARTMENT. OTHERWISE, HE PLANS ANSWER AS BEST HE CAN "DISCREPANCIES" ON LIST PRESENTED BY DIRECTOR GENERAL OF FINANCE AND CALL ON DIRECTOR GENERAL AS SOON AS LATTER RETURNS FROM TRIP OVERSEAS. GAUTRET SAID HE UNDERSTANDS TOTAL (FRENCH OIL MARKETING COMPANY IN MADAGASCAR) IS IN MUCH SAME SITUATION AS ESSO,

WHILE CALTEX AND SHELL HAVE ALREADY BEEN ACCUSED OF ATTEMPT TO DEFRAUD GOMR ON MATTER OF FOREIGN EXCHANGE REPATRIATIONS. MOREOVER HE UNDERSTANDS SHELL HEAD OFFICE IN LONDON EXTREMELY UPSET BY MALAGASY REFUSAL TO ALLOW LOCAL SHELL MANAGER TO LEAVE COUNTRY AND CONTEMPLATING STRONG REACTION OF SOME SORT.

6. COMMENT: IT AS YET UNCLEAR WHETHER RECENT GOMR MOVES AGAINST LOCAL PETROLEUM-MARKETING COMPANIES ARE INTENDED ONLY TO RECTIFY PAST LAXITY IN REPATRIATION OF FOREIGN EXCHANGE EARNINGS, OR WHETHER THEY PART OF MORE GENERAL BUILD-UP OF PRESSURE AGAINST COMPANIES, PERHAPS TO FORECE SOME OR ALL OF THEM FROM COUNTRY.

7. EMBASSY PLANNING TO TALK FURTHER WITH LOCAL MANAGERS CALTEX AND ESSO TO ASK WHETHER THEY THINK IT USEFUL FOR AMBASSADOR TO DROP LOW-KEY WORD TO MINISTER OF FINANCE RAMAROSON IF OPPORTUNITY PRESENTS ITSELF AT AIRPORT ON LATTER'S RETURN FROM WASHINGTON. GIVEN APPARENT DESIRE LOCAL MANAGERS AT THIS POINT TO NEGOTIATE SETTLEMENT WITH GOMR AND AVOID ANY CONFRONTATATION, OUR PREFERENCE IS FOR LOW-KEY APPROACH RATHER THAN FORMAL MEETING WITH FINANCE MINISTER AT THIS TIME. BURDEN OF APPROACH WOULD BE TO POINT OUT ADVERSE EFFECT OF GOMR ACTIONS ON INVESTMENT CLIMATE AND TO SUGGEST LIFTING OF RESTRICTIONS ON TRAVEL OF MANAGERS IN VIEW RESPONSIBLE NATURE OF THEIR FIRMS.
MENDENHALL

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